

**BEFORE THE
CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA**

In the Matter of the Accusation Against:

DAVID S.K. LOH
aka SEEKIONG LOH
7416 Cliffside Court
West Hills, CA 91304

CPA Certificate # 34717

Respondent.

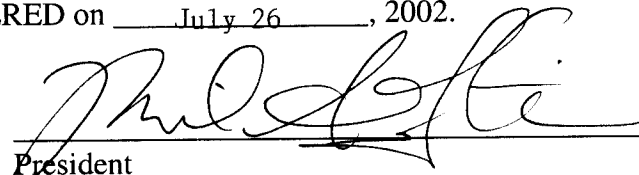
Case No.AC-2002-5

DECISION AND ORDER

The attached Stipulated Settlement and Disciplinary Order is hereby adopted by the California Board of Accountancy, Department of Consumer Affairs, as its Decision in the above entitled matter.

This Decision shall become effective on August 25, 2002.

It is so ORDERED on July 26, 2002.



President

For The CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS

BILL LOCKYER, Attorney General
of the State of California
JAMES F. AHERN, State Bar No. 147620
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Attorneys for Complainant

**BEFORE THE
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DEPARTMENT OF CONSUMER AFFAIRS
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In the Matter of the Accusation Against:

Case No. AC-2002-5

DAVID S.K. LOH
SEEKIONG LOH
7416 Cliffside Court
West Hills, CA 91304

**STIPULATED SETTLEMENT AND
DISCIPLINARY ORDER**

Accounting Certificate License No. CPA 34717

Respondent.

In the interest of a prompt and speedy settlement of this matter, consistent with the public interest and the responsibility of the California Board of Accountancy of the Department of Consumer Affairs, the parties hereby agree to the following Stipulated Settlement and Disciplinary Order which will be submitted to the Board for approval and adoption as the final disposition of the Accusation.

PARTIES

1. Carol B. Sigmann (Complainant) is the Executive Officer of the California Board of Accountancy. She brought this action solely in her official capacity and is represented in this matter by Bill Lockyer, Attorney General of the State of California, by James F. Ahern, Deputy Attorney General.

2. Respondent David S.K. Loh (Respondent) is represented in this proceeding by attorney, Charles M. Green, Attorney at Law, whose address is 3699 Wilshire

1 Blvd., Suite 700, Los Angeles, CA 90010.

2 3. On or about May 7, 1982, the California Board of Accountancy issued
3 Accounting Certificate License No. CPA 34717 to David S.K. Loh, aka, Seekiong Loh
4 (Respondent). The License was in full force and effect at all times relevant to the charges
5 brought in Accusation No. AC-2002-5 and will expire on June 30, 2003, unless renewed.

6 JURISDICTION

7 4. Accusation No. AC-2002-5 was filed before the California Board of
8 Accountancy (Board), Department of Consumer Affairs, and is currently pending against
9 Respondent. The Accusation and all other statutorily required documents were properly served
10 on Respondent on March 30, 2002. Respondent timely filed his Notice of Defense contesting the
11 Accusation. A copy of Accusation No. AC-2002-5 is attached as exhibit A and incorporated
12 herein by reference.

13 ADVISEMENT AND WAIVERS

14 5. Respondent has carefully read, fully discussed with counsel, and
15 understands the charges and allegations in Accusation No. AC-2002-5. Respondent has also
16 carefully read, fully discussed with counsel, and understands the effects of this Stipulated
17 Settlement and Disciplinary Order.

18 6. Respondent is fully aware of his legal rights in this matter, including the
19 right to a hearing on the charges and allegations in the Accusation; the right to be represented by
20 counsel at his own expense; the right to confront and cross-examine the witnesses against him;
21 the right to present evidence and to testify on his own behalf; the right to the issuance of
22 subpoenas to compel the attendance of witnesses and the production of documents; the right to
23 reconsideration and court review of an adverse decision; and all other rights accorded by the
24 California Administrative Procedure Act and other applicable laws.

25 7. Respondent voluntarily, knowingly, and intelligently waives and gives up
26 each and every right set forth above.

27 CULPABILITY

28 8. Respondent admits the truth of each and every charge and allegation in

1 Accusation No. AC-2002-5.

2 9. Respondent agrees that his Accounting Certificate License is subject to
3 discipline and he agrees to be bound by the Board's imposition of discipline as set forth in the
4 Disciplinary Order below.

5 RESERVATION

6 10. The admissions made by Respondent herein are only for the purposes of
7 this proceeding, or any other proceedings in which the California Board of Accountancy or other
8 professional licensing agency is involved, and shall not be admissible in any other criminal or
9 civil proceeding.

10 CONTINGENCY

11 11. This stipulation shall be subject to approval by the California Board of
12 Accountancy. Respondent understands and agrees that counsel for Complainant and the staff of
13 the California Board of Accountancy may communicate directly with the Board regarding this
14 stipulation and settlement, without notice to or participation by Respondent or his counsel. By
15 signing the stipulation, Respondent understands and agrees that he may not withdraw his
16 agreement or seek to rescind the stipulation prior to the time the Board considers and acts upon
17 it. If the Board fails to adopt this stipulation as its Decision and Order, the Stipulated Settlement
18 and Disciplinary Order shall be of no force or effect, except for this paragraph, it shall be
19 inadmissible in any legal action between the parties, and the Board shall not be disqualified from
20 further action by having considered this matter.

21 12. The parties understand and agree that facsimile or other copies of this
22 Stipulated Settlement and Disciplinary Order, including the signatures thereto, shall have the
23 same force and effect as the originals.

24 13. In consideration of the foregoing admissions and stipulations, the parties
25 agree that the Board may, without further notice or formal proceeding, issue and enter the
26 following Disciplinary Order:

27 DISCIPLINARY ORDER

28 IT IS HEREBY ORDERED that Accounting Certificate License No. CPA 34717

1 issued to Respondent David S.K. Loh is revoked. However, the revocation is stayed and
2 Respondent is placed on probation for three (3) years on the following terms and conditions.

3 1. **Obey All Laws.** Respondent shall obey all federal, California, other
4 states' and local laws, including those rules relating to the practice of public accountancy in
5 California.

6 2. **Submit Written Reports.** Respondent shall submit, within ten (10) days
7 of completion of the quarter, written reports to the Board on a form obtained from the Board.
8 The Respondent shall submit, under penalty of perjury, such other written reports, declarations,
9 and verification of actions as are required. These declarations shall contain statements relative to
10 Respondent's compliance with all the terms and conditions of probation. Respondent shall
11 immediately execute all release of information forms as may be required by the Board or its
12 representatives.

13 3. **Personal Appearances.** Respondent shall, during the period of probation,
14 appear in person at interviews/meetings as directed by the Board or its designated
15 representatives, provided such notification is accomplished in a timely manner.

16 4. **Comply With Probation.** Respondent shall fully comply with the terms
17 and conditions of the probation imposed by the Board and shall cooperate fully with
18 representatives of the Board of Accountancy in its monitoring and investigation of the
19 Respondent's compliance with probation terms and conditions.

20 5. **Practice Investigation.** Respondent shall be subject to, and shall permit,
21 practice investigation of the Respondent's professional practice. Such a practice investigation
22 shall be conducted by representatives of the Board, provided notification of such review is
23 accomplished in a timely manner.

24 6. **Tolling of Probation For Out-of-State Residence/Practice.** In the event
25 Respondent should leave California to reside or practice outside this state, Respondent must
26 notify the Board in writing of the dates of departure and return. Periods of non-California
27 residency or practice outside the state shall not apply to reduction of the probationary period, or
28 of any suspension. No obligation imposed herein, including requirements to file written reports,

1 reimburse the Board costs, or make restitution to consumers, shall be suspended or otherwise
2 affected by such periods of out-of-state residency or practice except at the written direction of the
3 Board.

4 7. **Violation of Probation.** If Respondent violates probation in any respect,
5 the Board, after giving Respondent notice and an opportunity to be heard, may revoke probation
6 and carry out the disciplinary order that was stayed. If an accusation or a petition to revoke
7 probation is filed against Respondent during probation, the Board shall have continuing
8 jurisdiction until the matter is final, and the period of probation shall be extended until the matter
9 is final.

10 8. **Completion of Probation.** Upon successful completion of probation,
11 Respondent's license will be fully restored.

12 9. **Supervised Practice.** At the Respondent's expense, all audits and
13 reviews performed during the probationary period must be reviewed, prior to issuance, by
14 another licensee. The reviewer chosen by the Respondent must be approved by the Board or its
15 designee. This condition shall apply to all audit or review financial statement reports or work
16 papers prepared by the Respondent.

17 10. **Continuing Education Courses.** Respondent shall complete and provide
18 proper documentation of 24 hours of professional education courses within the time designated
19 by the Board. This requirement shall be in addition to the 80 hours of continuing education
20 requirements for re-licensing.

21 Failure to complete satisfactorily the required courses as scheduled or failure to
22 complete same no later than 100 days prior to the termination of probation shall constitute a
23 violation of probation.

24 11. **Active License Status.** Respondent shall at all times maintain an active
25 license status with the Board.

26 12. **Cost Reimbursement.** Respondent shall reimburse the Board
27 \$11,738.44 for its investigation and prosecution costs. The payments of this amount shall be
28 made in five equal monthly payments of \$1956.40, beginning on the 10th day of the month

1 following the effective date of the Board's decision, with a final payment of \$1956.44 due on the
2 10th day of the sixth month following the effective date the Board's decision.

3 ACCEPTANCE

4 I have carefully read the above Stipulated Settlement and Disciplinary Order and
5 have fully discussed it with my attorney, Charles M. Green, Attorney at Law. I understand the
6 stipulation and the effect it will have on my Accounting Certificate License. I enter into this
7 Stipulated Settlement and Disciplinary Order voluntarily, knowingly, and intelligently, and agree
8 to be bound by the Decision and Order of the California Board of Accountancy.

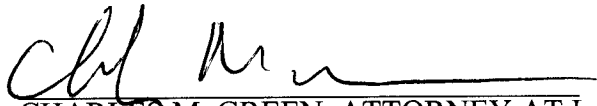
9 DATED: 5/10/2002.

10 

11 DAVID S.K. LOH
12 Respondent

13
14 I have read and fully discussed with Respondent David S.K. Loh the terms and
15 conditions and other matters contained in the above Stipulated Settlement and Disciplinary
16 Order. I approve its form and content.

17 DATED: 5/14/02.

18 

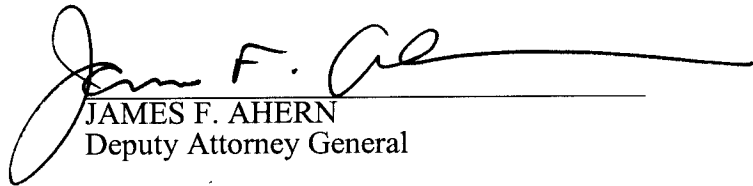
19 CHARLES M. GREEN, ATTORNEY AT LAW
20 Attorney for Respondent

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28 ENDORSEMENT

1 The foregoing Stipulated Settlement and Disciplinary Order is hereby respectfully
2 submitted for consideration by the California Board of Accountancy of the Department of
3 Consumer Affairs.

4
5 DATED: MAY 17, 2002

6 BILL LOCKYER, Attorney General
7 of the State of California

8
9 
JAMES F. AHERN
Deputy Attorney General

10 Attorneys for Complainant
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Exhibit A
Accusation No. AC-2002-5

BILL LOCKYER, Attorney General
of the State of California
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DAVID S.K. LOH
a.k.a. SEEKIONG LOH
7416 Cliffside Court
West Hills, CA 91304

A C C U S A T I O N

Accounting Certificate License No. CPA 34717

Respondent.

Complainant alleges:

PARTIES

1. Carol B. Sigmann ("Complainant") brings this Accusation solely in her official capacity as the Executive Officer of the California Board of Accountancy, Department of Consumer Affairs.

2. On or about May 7, 1982, the California Board of Accountancy issued Accounting Certificate Number CPA 34717 to David S.K. Loh a.k.a. Seekiong Loh ("Respondent").

a. In March 1989, said certificate was in an expired status ("delinquent"). The certificate was not valid during the period from at least March 1989 through June 2, 1992, because of Respondent's failure to pay the renewal fee required by Business and Professions Code section 5070.5, and failure to submit a declaration of compliance with continuing education

requirements.

b. The certificate was renewed under the provisions of California Code of Regulations, Title 16, section 80 (“inactive”) effective June 3, 1992, upon receipt of the renewal fees. A declaration of compliance with continuing education requirements was not required.

c. The certificate was renewed in an inactive status until renewed under the provisions of California Code of Regulations, Title 16, section 87.1 (“reentry”) effective November 18, 1999, upon receipt of the declaration of compliance with continuing education requirements (“active”).

d. The Accounting Certificate License is currently in force and effect and expires subject to renewal on June 30, 2003.

JURISDICTION

3. This Accusation is brought before the California Board of Accountancy (“Board”), under the authority of the following sections of the Business and Professions Code (“Code”).

4. Section 5100 of the Code states:

After notice and hearing the board may revoke, suspend or refuse to renew any permit or certificate granted under Article 4 (commencing with Section 5070) and Article 5 (commencing with Section 5080), or may censure the holder of that permit or certificate for unprofessional conduct which includes, but is not limited to, one or any combination of the following causes:

• • •

(c) Dishonesty, fraud, or gross negligence in the practice of public accountancy or in the performance of the bookkeeping operations described in Section 5052.

• • •

(f) Willful violation of this chapter or any rule or regulation promulgated by the board under the authority granted under this chapter.

5. Section 5062 of the Code states that upon completion of a compilation, review, or audit of financial statements, a licensee shall issue a report which conforms to

1 b. **AU 230.02** states that the third general standard requires the independent
2 auditor to plan and perform his or her work with due professional care. Due professional care
3 imposes a responsibility upon each professional within an independent auditor's organization to
4 observe the standards of field work and reporting.

5 c. **AU 310.05** states, in pertinent part, that the auditor should establish an
6 understanding with the client regarding the services to be performed for each engagement . . .
7 The understanding should include the objectives of the engagement, management's
8 responsibilities, the auditor's responsibilities, and the limitations of the engagement. The auditor
9 should document the understanding in the working papers . . .

10 d. **AU 311.03** states, in pertinent part, that, in planning the audit, the auditor
11 should consider, among other matters:

12 (a) Matters relating to the entity's business and the industry in which it
13 operates;

14 (b) The entity's accounting policies and procedures;

15 . . .

16 (d) Planned assessed level of control risk;

17 (e) Preliminary judgment about materiality levels for audit purposes;

18 . . .

19 (g) Conditions that may require extensions or modification of audit tests,
20 such as the risk of material error or fraud or the existence of related party transactions . . .

21 e. **AU 311.05** states, in pertinent part, that, in planning the audit, the auditor
22 should consider the nature, extent, and timing of work to be performed and should prepare a
23 written audit program (or set of written audit programs) for every audit . . .

24 f. **AU 312.25** states, in pertinent part, that in determining the nature, timing,
25 and extent of auditing procedures to be applied to a specific account balance or class of
26 transactions, the auditor should design procedures to obtain reasonable assurance of detecting
27 misstatements that he or she believes, based on the preliminary judgment about materiality, could
28 be material, when aggregated with misstatements in other balances or classes, to the financial

1 statements taken as a whole . . .

2 g. AU 316.37 states, in pertinent part, that in planning the audit, the auditor
3 should document in the working papers evidence of the performance of the assessment of the risk
4 of material misstatement due to fraud . . .

5 h. AU 319.02 states, that in all audits, the auditor should obtain an
6 understanding of internal control sufficient to plan the audit by performing procedures to
7 understand the design of controls relevant to an audit of financial statements, and whether they
8 have been placed in operation.

9 i. AU 319.44 states, in pertinent part, that the auditor should document the
10 understanding of the entity's internal control components obtained to plan the audit . . .

11 j. AU 319.47 states that assessing control risk is the process of evaluating
12 the effectiveness of the entity's internal control in preventing or detecting material misstatements
13 in the financial statements. Control risk should be assessed in terms of financial statement
14 assertions. After obtaining the understanding of internal control, the auditor may assess control
15 risk at the maximum level for some or all assertions because he or she believes controls are
16 unlikely to pertain to an assertion, are unlikely to be effective, or because evaluating their
17 effectiveness would be inefficient.

18 k. AU 319.57 states, in pertinent part . . . that the auditor should document
19 the basis for his or her conclusions about the assessed level of control risk . . .

20 l. AU 329.01 states that this section provides guidance on the use of
21 analytical procedures and requires the use of analytical procedures in the planning and overall
22 review stages of all audits.

23 m. AU 329.04 states, in pertinent part, that analytical procedures are used for
24 the following purposes:

25 a. To assist the auditor in planning the nature, timing and extent of other
26 auditing procedures . . .

27 c. As an overall review of the financial information in the final review
28 stage of the audit.

1 Analytical procedures should be applied to some extent for purposes
2 referred to in (a) and (c) ... above for all audits of financial statements made in accordance with
3 generally accepted auditing standards . . .

4 n. AU 329.21 states that the auditor should evaluate significant unexpected
5 differences. Reconsidering the methods and factors used in developing the expectation and
6 inquiry of management may assist the auditor in this regard. Management responses, however,
7 should ordinarily be corroborated with other evidential matter. In those cases when an
8 explanation for the difference cannot be obtained, the auditor should obtain sufficient evidence
9 about the assertion by performing other audit procedures to satisfy himself as to whether the
10 difference is a likely misstatement. In designing such other procedures, the auditor should
11 consider that unexplained differences may indicate an increased risk of material misstatement.

12 o. AU 330.04 states, that confirmation is the process of obtaining and
13 evaluating a direct communication from a third party in response to a request for information
14 about a particular item affecting financial statement assertions. The process includes: selecting
15 items for which confirmations are to be requested; designing the confirmation request;
16 communicating the confirmation request to the appropriate third party; obtaining a response from
17 the third party; evaluating the information, or lack thereof, provided by the third party about the
18 audit objectives, including the reliability of the information.

19 p. AU 330.34 states, in part, that confirmation of accounts receivable is a
20 generally accepted auditing procedure. It is generally presumed that evidence obtained from
21 third parties will provide the auditor with higher-quality audit evidence than is typically available
22 from within the entity. Thus there is a presumption that the auditor will request the confirmation
23 of accounts receivable during an audit. . .

24 q. AU 330.35 states, an auditor who has not requested confirmations in the
25 examination of accounts receivable should document how he or she overcame this presumption.

26 r. AU 333.01 states that this section establishes a requirement that the
27 independent auditor obtain written representations from management as a part of an audit of
28 financial statements performed in accordance with generally accepted auditing standards and

1 provides guidance concerning the representations to be obtained.

2 s. AU 337.01 states, this section provides guidance on the procedures an
3 independent auditor should consider for identifying litigation, claims, and assessments and for
4 satisfying himself as to the financial accounting and reporting for such matters when he is
5 performing an audit in accordance with generally accepted auditing standards.

6 t. AU 337.05 states . . . the independent auditor's procedures . . . should
7 include the following:

8 (a) inquire of and discuss with management the policies and procedures
9 adopted for identifying, evaluating, and accounting for litigation, claims, and assessments;

10 (b) obtain from management a description and evaluation of litigation,
11 claims, and assessments that existed at the date of the balance sheet . . . including an
12 identification of those matters referred to legal counsel, and obtain assurances from management,
13 ordinarily in writing, that they have disclosed all such matters required to be disclosed by SFAS
14 No. 5;

15 (c) examine documents in the client's possession concerning litigation,
16 claims, and assessments, including correspondence and invoices from lawyers;

17 (d) obtain assurance from management, ordinarily in writing, that it has
18 disclosed all unasserted claims that the lawyer has advised them are probable of assertion and
19 must be disclosed in accordance with SFAS No. 5. Also, the auditor, with the client's
20 permission, should inform the lawyer that the client has given the auditor this assurance . . .

21 u. AU 337.06 states, an auditor ordinarily does not possess legal skills and,
22 therefore, cannot make legal judgments... Accordingly, the auditor should request the client's
23 management to send a letter of inquiry to those lawyers with whom management consulted
24 concerning litigation, claims and assessments.

25 v. AU 339.05 states, in pertinent part, . . . working papers ordinarily
26 should include documentation showing that:

27 (a) The work has been adequately planned and supervised.

28 (b) A sufficient understanding of internal control has been obtained to plan

1 the audit and to determine the nature, timing, and extent of tests to be performed.

2 (c) The audit evidence obtained, the auditing procedures applied, and the
3 testing performed have provided sufficient competent evidential matter to afford a reasonable
4 basis for an opinion . . .

5 w. AU 508.41 states in pertinent part that information essential for a fair
6 presentation in conformity with generally accepted accounting principles should be set forth in
7 the financial statements (which include the related notes) . . . If the financial statements,
8 including accompanying notes, fail to disclose information that is required by generally accepted
9 accounting principles, the auditor should express a qualified or adverse opinion . . .

10 x. AU 560.07 states, in pertinent part, that subsequent events affecting . . .
11 the settlement of estimated liabilities ordinarily will require adjustment of the financial
12 statements because such events typically represent the culmination of conditions that existed over
13 a relatively long period of time.

14 y. AU 560.10 states, in pertinent part, that there is a period after the balance
15 sheet date with which the auditor must be concerned in completing various phases of his audit.
16 This period is known as the 'subsequent period' and is considered to extend to the date of the
17 auditor's report. Its duration will depend upon the practical requirements of each audit and may
18 vary from a relatively short to one of several months...As an audit approaches completion, the
19 auditor will be concentrating on the unresolved auditing and reporting matters and he is not
20 expected to be conducting a continuing review of those matters to which he has previously
21 applied auditing procedures and reached satisfaction.

22 z. AU 560.11 states, that certain specific procedures are applied to
23 transactions occurring after the balance sheet date such as (a) the examination of data to assure
24 that proper cutoffs have been made and (b) The examination of data which provide information
25 to aid the auditor in his evaluation of the assets and liabilities as of the balance sheet date.

26 aa. AU 560.12 states, in addition, that the independent auditor should perform
27 other auditing procedures with respect to the period after the balance sheet date for the purpose
28 of ascertaining the occurrence of subsequent events that may require adjustment or disclosure

1 essential to a fair presentation of the financial statements in conformity with generally accepted
2 accounting principles . . .

3 **bb. FAS No. 13, paragraph 16** states, the following information with respect
4 to leases shall be disclosed in the lessee's financial statements or the footnotes thereto.

5 . . .

6 (b) For operating leases having initial or remaining noncancellable lease
7 terms in excess of one year:

8 (1) Future minimum rental payments required as of the date of the
9 latest balance sheet presented, in the aggregate and for each of the five succeeding fiscal years.

10 (2) The total of minimum rentals to be received in the future under
11 noncancellable subleases as of the date of the latest balance sheet presented.

12 (c) For all operating leases, rental expense for each period for which an
13 income statement is presented, with separate amounts for minimum rentals, contingent rentals,
14 and sublease rentals. Rental payments under leases with terms of a month or less that were not
15 renewed need not be included.

16 (d) A general description of the lessee's leasing arrangements including,
17 but not limited to, the following:

18 (1) The basis on which contingent rental payments are determined.

19 (2) The existence and terms of renewal or purchase options and
20 escalation clauses.

21 (3) Restrictions imposed by lease agreements, such as those
22 concerning dividends, additional debt, and further leasing.

23 **cc. FAS No. 93, paragraph 5** states in pertinent part that not-for-profit
24 organizations [also] shall recognize the cost of using up the future economic benefits or service
25 potentials for their long-lived tangible assets [as] depreciation.

26 **dd. APB Opinion No. 12 paragraph 5** states, in pertinent part that . . . the
27 following disclosures shall be made in the financial statements or in notes thereto:

28 (a) Depreciation expense for the period.

1 (b) Balances of major classes of assets, by nature or function, at the
2 balance sheet date.

3 (c) Accumulated depreciation, either by major classes of depreciable
4 assets or in total, at the balance sheet date.

5 (d) A general description of the method or methods used in computing
6 depreciation with respect to major classes of depreciable assets.

7 ee. **APB Opinion No. 20 paragraph 37** states, in pertinent part, that the
8 nature of an error in previously issued financial statements and the effect of its correction on
9 income . . . shall be disclosed in the period in which the error was discovered and
10 corrected . . .

11 8. Section 118(b) of the Code states:

12 (b) The suspension, expiration, or forfeiture by operation of law of a license
13 issued by a board in the department, or its suspension, forfeiture, or cancellation by order of the
14 board or by order of a court of law, or its surrender without the written consent of the board, shall
15 not, during any period in which it may be renewed, restored, reissued, or reinstated, deprive the
16 board of its authority to institute or continue a disciplinary proceeding against the licensee upon
17 any ground provided by law or to enter an order suspending or revoking the license or otherwise
18 taking disciplinary action against the licensee on any such ground.

19 9. Section 5107 of the Code states, in pertinent part, that the Board's
20 Executive Officer may request the administrative law judge, as part of the proposed decision in a
21 disciplinary proceeding, to direct any holder of a permit or certificate, found guilty of
22 unprofessional conduct in violation of subdivisions (b), (c), (i) or (j) of section 5100, to pay to
23 the Board all reasonable costs of investigation and prosecution of the case, including, but not
24 limited, to attorney's fees.

25 ///

26 ///

27 ///

28 ///

1 FIRST CAUSE FOR DISCIPLINE

2 (Gross Negligence)

3 Community Youth Sports & Arts Foundation

4 10. Respondent performed an audit of the financial statements of the
5 Community Youth Sports and Arts Foundation for the year ended December 31, 1998.

6 11. Respondent is subject to disciplinary action under sections 5100(c) in that
7 Respondent was grossly negligent in his performance of the Community Youth Sports and Arts
8 Foundation audit. The circumstances are as follows:

9 a. Respondent did not modify his report for management's failure to present
10 properly liabilities substantially reduced after settlement with the Internal Revenue Service in the
11 subsequent period but before the issuance of the auditor's report, pursuant to AU 560.07 and AU
12 560.10. The Internal Revenue Service accepted the negotiated terms on March 31, 2000. The
13 date of the Auditor's report was October 31, 2000.

14 b. Respondent did not modify his report for the omission of disclosures
15 regarding prior period adjustments, as required by AU 508.41. The working papers indicate
16 prior period adjustments to accounts payable and accounts receivable. However, the nature of
17 these adjustments was not disclosed in the financial statements or the notes to the financial
18 statements, as required by AU 508.41 and APB Opinion No. 27 paragraph 37.

19 c. Respondent did not modify his report for management's failure to include
20 disclosures regarding the balances of major classes of assets, accumulated depreciation and the
21 methods used in computing depreciation, as set forth in APB Opinion No. 12, and applicable to
22 not-for-profit organizations as set forth in FAS No. 93, paragraph 5.

23 d. Respondent did not modify his report for the omission of disclosures
24 relating to operating leases. The working papers indicate that rent expense was \$41,800.
25 However, there are no operating lease disclosures in the report, as required by FAS No. 13,
26 paragraph 16.

27 e. Respondent's working papers lacked evidence to support the assertion that
28 the engagement was properly planned, as required by AU 150.02, AU 311.03, AU 311.05 and

1 AU 339.05. Respondent failed to include evidence to support the understanding of the client
2 regarding the engagement, as required by AU 150.02 and AU 310.05. Further, Respondent
3 failed to record the scope and the reliance on internal controls as required by AU 339.05.
4 Respondent failed to put in writing the audit programs describing the specific areas to be tested,
5 as required by AU 316.37 AU 329.01, AU 329.04 and AU 339.05.

6 f. Respondent did not document his understanding and consideration of the
7 five components of internal control and the controls to be tested, as required in the standards, AU
8 150.02, AU 319.02, AU 319.44, and AU 339.05. There was no evidence that Respondent
9 assessed the level of control risk, as required by the standards, AU 319.47, AU 319.57 and AU
10 339.05.

11 g. The working papers do not provide evidence that the accounts receivable
12 balances were confirmed or that alternative procedures were performed by the licensee, as
13 required by the standards, AU 150.02, AU 330.04, AU 330.34 and AU 330.35.

14 h. Respondent's working papers did not document the meaning of the "tick"
15 marks contained in the working papers to show what tests were performed and what evidence
16 was obtained relating to the balances of accounts payable and other liabilities, as required by AU
17 150.02, AU 312.25 and AU 339.05.

18 i. Respondent's working papers for income included a variance analysis with
19 a scope of amounts greater than \$9,000 and 10 %. Respondent's working papers clearly
20 indicated items with differences of \$11,941 (21%) and \$9,139 (66%) that were not evaluated, as
21 required by AU 150.02, AU 312.25, AU 329.21, AU 339.05.

22 j. Respondent's working papers did not include a required representation
23 letter from management, as required by AU 333.01.

24 k. Respondent failed to obtain written representations from the client's
25 lawyer concerning litigation, claims and assessments, as required by AU 337.01, AU 337.05, and
26 AU 337.06.

27 l. Respondent failed to exercise due professional care in the performance of
28 the audit as demonstrated by the extreme departures from the standards, defined in AU 150.02

1 and AU 230.02.

2 m. Respondent's actions listed above in paragraph 11(a) through (l), in
3 performing an audit, constitutes gross negligence.

4 SECOND CAUSE FOR DISCIPLINE

5 (Failed to Conform)

6 12. Respondent is subject to disciplinary action under sections 5100(c) and
7 5062 for gross negligence in that Respondent failed to conform with professional standards in his
8 performance of an audit. The circumstances are described above in paragraphs 11(a) through
9 (m).

10 THIRD CAUSE FOR DISCIPLINE

11 (Failed to Comply)

12 13. Respondent is subject to disciplinary action under section 5100(f) in
13 conjunction with Title 16 California Code of Regulations section 58, in that Respondent failed to
14 comply with all professional standards in his performance of an audit. The circumstances are
15 described above in paragraphs 11(a) through (m).

16 FOURTH CAUSE FOR DISCIPLINE

17 (Gross Negligence)

18 PACIFIC HAVENS, INC.

19 14. Respondent performed an audit of the financial statements of Pacific
20 Havens, Inc. for the year ended December 31, 1999.

21 15. Respondent is subject to disciplinary action under sections 5100(c) in that
22 Respondent was grossly negligent in his performance of an audit. The circumstances are as
23 follows:

24 a. Respondent's working papers lacked evidence to support the assertion that
25 the engagement was properly planned as required by AU 150.02, AU 311.03, AU 311.05 and AU
26 339.05. Respondent failed to include evidence to support the understanding of the client
27 regarding the engagement as required by AU 150.02 and AU 310.05. Further, Respondent failed
28 to record the scope and the reliance on internal controls as required by AU 339.05. Respondent

1 failed to put in writing the audit programs describing the specific areas to be tested as required by
2 AU 316.37 AU 329.01, AU 329.04 and AU 339.05.

3 b. Respondent did not document his understanding and consideration of the
4 five components of internal control and the controls to be tested, as required in the standards, AU
5 150.02, AU 319.02, AU 319.44, and AU 339.05. There was no evidence that Respondent
6 assessed the level of control risk as required by the standards, AU 319.47, AU 319.57 and AU
7 339.05.

8 c. Respondent's working papers did not contain supporting schedules or
9 other evidence to show what tests were performed and what evidence was obtained, as required
10 by AU 150.02, AU 312.25, AU 339.05.

11 d. Respondent's working papers failed to include evidence that Respondent
12 performed a search for unrecorded liabilities or other cut-off procedures to aid Respondent in
13 evaluating the balances of assets and liabilities at the balance sheet date, as required in
14 AU 560.10, AU 560.11, and AU 560.12.

15 e. Respondent's working papers did not include a required representation
16 letter from management, as required by AU 333.01.

17 f. Respondent failed to obtain written representations from the client's
18 lawyer concerning litigation, claims and assessments, as required by AU 337.01, AU 337.05, and
19 AU 337.06.

20 g. Respondent failed to exercise due professional care in the performance of
21 the audit as demonstrated by the extreme departures from the standards, defined in AU 150.02
22 and AU 230.02.

23 h. Respondent's actions listed above in paragraph 16(a) through (g), in
24 performing an audit, constitutes gross negligence.

25 FIFTH CAUSE FOR DISCIPLINE

26 (Gross Negligence)

27 16. Respondent is subject to disciplinary action under sections 5100(f) and
28 5062 for failure to conform with professional standards in his performance of an audit. The

1 circumstances are described above in paragraphs 15(a) through (h).

2 SIXTH CAUSE FOR DISCIPLINE

3 (Gross Negligence)

4 17. Respondent is subject to disciplinary action under section 5100(f) in
5 conjunction with Title 16 California Code of Regulations section 58, in that Respondent failed to
6 comply with all professional standards in his performance of an audit. The circumstances are
7 described above in paragraphs 15(a) through (h).

8 PRAYER

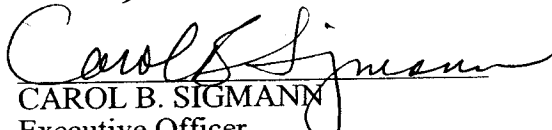
9 WHEREFORE, Complainant requests that a hearing be held on the matters herein
10 alleged, and that following the hearing, the California Board of Accountancy issue a decision:

11 1. Revoking, suspending or otherwise imposing discipline upon Certified
12 Public Accountant Certificate Number CPA 34717, issued to David S.K. Loh, a.k.a. Seekiong
13 Loh;

14 2. Ordering David S.K. Loh to pay the California Board of Accountancy the
15 reasonable costs of the investigation and enforcement of this case, pursuant to Business and
16 Professions Code section 5107;

17 3. Taking such other and further action as deemed necessary and proper.

18
19 DATED: March 26, 2002.

20 
21 CAROL B. SIGMANN
22 Executive Officer
23 California Board of Accountancy
24 Department of Consumer Affairs
25 State of California
26 Complainant